



BUDGET BRIEFS

Subcommittee Report

APRIL 25, 2001

IN THIS BRIEF:

- ✍️ **FULL COMMITTEE**
- ✍️ **SUBCOMMITTEE 1 (EDUCATION)**
- ✍️ **SUBCOMMITTEE 2 (RESOURCES, TRANSPORTATION, & JUDICIARY/JUSTICE)**
- ✍️ **SUBCOMMITTEE 3 (HEALTH & HUMAN SERVICES)**
- ✍️ **SUBCOMMITTEE 4 (GENERAL GOVERNMENT & PUBLIC SAFETY)**

FULL COMMITTEE

MIKE GENEST, STAFF DIRECTOR

(Dollars in Thousands)

<i>Fund</i>	<i>Governor's Budget</i>	<i>Senate Changes</i>	<i>Budget to Date</i>
<i>General Fund</i>	82,853,187	-1,054,238	81,798,949
<i>Special Funds</i>	19,163,076	-453,884	18,709,192
<i>Bond Funds</i>	2,710,260	73	2,710,333
<i>Federal Funds</i>	42,920,560	22,325	42,942,885
<i>Total</i>	147,647,083	-1,485,724	146,161,349

✍️ **Actions to Date.** as the table above shows, the various subcommittees of the Budget Committee have reduced the budget by \$1.5 billion as of the actions taken last week. It is important to note that these reductions actually consist of (1) \$1.9 billion in one-time, primarily infrastructure and public works types of proposals that the full committee agreed to set aside as a reserve in anticipation of fiscal problems related to the energy crisis and (2) about \$500 million in offsetting augmentations. Thus, it is difficult to conclude that the budget process has made any significant progress to date.

✍️ **LAO Cash Update.** The LAO has been closely tracking cash receipts at the Franchise Tax Board (FTB): "If receipts during the last four days of this month come in as expected (and that's a big "if"), personal income tax receipts processed by the FTB could exceed the budget estimate by roughly \$800 million to \$1 billion during April. Some of this gain, however, will be offset by weaker collections from other sources during April. Specifically, withholding continues to soften--running about \$200 behind estimates this month--while bank and corporation taxes are down about \$140 million. So right now, the net increase from all known sources this month appears to be in the range of \$500 million to \$700 million--with revenues associated with 2000 liabilities strong, but revenues associated with current economic activity softening."

Revenue Forecast. In November, the LAO estimated a 2-year surplus figure of \$10.3 billion. In January, the governor's budget's comparable figure based on a slightly lower revenue estimate was about \$8 billion. In February, the LAO indicated that it concurred, although it expected slightly higher current-year revenues and slightly lower budget-year revenues. While neither the DOF nor the LAO has revised its estimates yet, the cash report suggests that the current-year portion of the "surplus" is holding at a level higher than the governor's budget. However, reduced withholding and the news about the economy as a whole suggest that we may see a further deterioration in the numbers for the budget year.

SUBCOMMITTEE 1 (EDUCATION) APRIL 4

ROGER MACKENSEN, CONSULTANT

(Dollars in Thousands)

Fund	Governor's Budget	Senate Changes	Budget to Date
General Fund	40,100,064	-143,568	39,956,496
Special Funds	779,507	---	779,507
Bond Funds	1,417,270	---	1,417,270
Federal Funds	10,052,917	---	10,052,917
Total	52,349,758	-143,568	52,206,190

California State Library. The Subcommittee approved as budgeted (3-0) a total increase of \$7.9 million for the California State Library, including \$3.2 million to continue the implementation of the Library of California program and \$2.1 million for the Public Library Foundation (PLF) program, which provides operational grants to local libraries. In addition, the Subcommittee checklisted (3-0) an additional \$15.7 million to fully fund the PLF.

Child Nutrition. The Subcommittee approved (3-0) a one-time \$700,000 General Fund augmentation to provide summer food program start-up and expansion grants for use by government agencies and community-based organizations.

Child Care Caseload. The current budget for child care in California is approximately \$2.7 billion (\$1.3 billion General Fund and \$1.4 billion federal funds), which serves approximately 581,700 children from both CalWORKs and working poor families. For the budget year, this amount is proposed to increase by approximately \$100 million. However, the two administering agencies (Department of Social Services and Department of Education) disagree on projected caseload numbers and are working jointly to produce final estimates for the May Revision. This issue was held open.

Carryover of Child Care Funds. Education Code Section 8278 permits the State Department of Education to carry over any unspent General Fund monies appropriated for child care and development. Approximately \$58.3 million in unexpended funds were carried over from 1999-00 and may be spent on a variety of one-time expenditures, including instructional materials, facilities maintenance and activities to increase child care capacity. In order to retain Legislative oversight of these funds, the carry-over authority should be eliminated. This issue was held open.

Healthy Start/Teenage Pregnancy Prevention. The Subcommittee approved as budgeted (3-0) \$39 million for the Healthy Start program. In addition, the Subcommittee checklisted (3-0) an additional \$10 million to continue funding the Teenage Pregnancy Prevention Grant Program (TPPGP). AB 2645 (Kuehl), enacted in 1998, extended the sunset of the TPPGP one year, to July 1, 2001; however, the

program evaluation is not due until April 1, 2002. Senator Escutia has introduced SB 1058 to extend the sunset to June 30, 2003. Is it appropriate to earmark funding for a program prior to action being taken on extending the sunset?

✍️ **California Healthy Kids Survey (CHKS).** The Subcommittee checklisted (3-0) \$1.9 million General Fund and one position for the Department of Education's CHKS. This survey has been administered to schoolchildren since 1998 using a variety of funding sources, including tobacco use prevention funding and federal safe and drug-free schools funding. This survey provides state and local agencies information on student behaviors such as smoking, drug use and abuse, sexual activity, home life, and so forth. To the extent that this survey continues, it may be appropriate to continue to utilize specific, health-related funding sources rather than General Fund.

✍️ **Kindergarten Readiness Pilot Program.** The Subcommittee checklisted (3-0) \$13.4 million that had been proposed for this pilot program for legislative priorities instead. The program was created by AB 25 (Mazzoni) in 2000, but the Administration has proposed delaying its implementation for one year to work out programmatic details.

✍️ **Tutoring/Mentoring.** The Subcommittee checklisted (3-0) \$10 million for college students to tutor K-6 and 7-12 pupils. The Subcommittee checklisted (3-0) a proposed \$5 million expansion of the Academic Volunteer and Mentor Program operated out of the Secretary for Education's Office.

✍️ **After School Programs.** The Subcommittee checklisted (3-0) \$22 million proposed by the Governor for an expansion of the after school program to middle schools. This program's current year funding level is \$107.8 million.

SUBCOMMITTEE 2 (RESOURCES, TRANSPORTATION, & JUDICIARY/JUSTICE) APRIL 19, 23

CONSULTANTS: ALEX ALANIS, DAVE HARPER

(Dollars in Thousands)

<i>Fund</i>	<i>Governor's Budget</i>	<i>Senate Changes</i>	<i>Budget to Date</i>
General Fund	6,048,511	-556,430	5,492,081
Special Funds	7,709,953	---	7,709,953
Bond Funds	1,271,328	73	1,271,401
Federal Funds	4,809,734	362	4,810,096
Total	19,839,526	-555,995	19,283,531

APRIL 19

Nothing significant occurred at the April 19 hearing. However, the budgets for the Secretary of Cal-EPA, State Water Resources Control Board, Air Resources Board, and Department of Toxic Pesticide Regulation were rescheduled for April 30.

APRIL 23

✍️ **War on Methamphetamine.** On a partyline vote, the committee deleted all funding for the proposed Central Valley War on Methamphetamine proposal. The Governor proposed \$40 million in his budget and the full Budget committee removed \$25 million on March 1.

✍✍**Innocence Project (OCJP).** The Committee augmented the budget by \$800,000 to fund a two-year pilot project which provides funding to qualified non-profit organizations, county public defenders, and private counsel to research, investigate, and represent cases of wrongful conviction at the request of an indigent inmate with a California state prison conviction.

SUBCOMMITTEE 3 (HEALTH & HUMAN SERVICES) APRIL 5, 16, 19

CONSULTANTS: SHARON BISHOP, THERESE TRAN

(Dollars in Thousands)

<i>Fund</i>	<i>Governor's Budget</i>	<i>Senate Changes</i>	<i>Budget to Date</i>
<i>General Fund</i>	21,963,227	421,275	22,384,502
<i>Special Funds</i>	5,120,675	-452,241	4,668,434
<i>Bond Funds</i>	---	---	---
<i>Federal Funds</i>	26,953,853	21,963	26,975,816
<i>Total</i>	54,037,755	-9,003	54,028,752

APRIL 5

✍✍**Faith-based employment services funding.** On March 1, 2001, the Senate Budget and Fiscal Review Committee deleted approximately \$1.9 billion from the Governor's budget. Included in this reduction was \$5 million for faith-based organizations to provide employment services. Despite Senator Haynes' insistence that funding be restored, the subcommittee put this issue over pending information from the Employment Development Department that funds are being used appropriately.

✍✍**Pre-apprentice training for construction trades.** Chapter 829, Statutes of 1999 (AB 643 – Wesson) created the YouthBuild program in California to provide training in the construction industry to high school dropouts. In fiscal year 2000-01, this program is funded at \$1 million. Although advocates requested an \$11.5 million augmentation, the subcommittee placed \$8.3 million on suspense. Vote: 3-0.

✍✍**Continuation of CalWORKs aid after removal of children from the home.** Currently, CalWORKs cash assistance and services end 30 days after a child or children have been removed from the home due to abuse or neglect. On a 2-0 vote, the subcommittee adopted language similar to SB 249(Chesbro) to extend cash assistance and services to 180 days if it will help with family reunification. Without prejudice towards the intent of the proposal, the language adopted would allow parents to receive cash assistance for support of the child or children even when they are not providing care. In essence, the State is paying for the care of the child(ren) twice, first in cash assistance and again in the child welfare services and foster care system.

✍✍**Extension of time limit for CalWORKs employment services.** Under current law, CalWORKs recipients have a 5-year limit on cash assistance and a 2-year limit on employment services assistance (i.e., training or education). The subcommittee adopted placeholder trailer bill language to extend employment services beyond 2 years if participants work at least 20 hours a week. This would likely result in increased costs and could be interpreted as a fundamental change to welfare reform. Vote: 2-0.

✍✍**County Performance Incentives.** Under the existing CalWORKs structure, counties are rewarded with fiscal incentives for reducing welfare caseloads and diverting potential recipients from coming onto aid. For fiscal year 2000-01, the budget provides \$250 million in county incentives. However, the administration is proposing urgency legislation to reduce the current year appropriation to \$97 million,

consistent with the current estimates. In addition to the reduction, there is no funding proposed for the budget year. Counties are concerned that this lack of funding may signal future intent to eliminate fiscal incentives altogether. This item was put over.

APRIL 16

✍️ ***Trying to Get a Rate Increase for Dental Care Services is “Just Like Pulling Teeth.”*** When the issue of dental reimbursement rates was raised, Senator Haynes reminded the Subcommittee of the Joint Republican Caucus Proposal. Consistent with the Proposal, he put forth a motion to provide a 25-percent across-the-board rate increase for dental care services (budget year cost of \$130.8 million, of which \$65.4 million is General Fund). After ignoring Senator Haynes’ motion, the Democrats voted to put \$26 million (\$13 million General Fund) on the Suspense List for later consideration. They did, however, authorize \$250,000 General Fund for another dental needs assessment of children to be completed by January 2003.

✍️ ***Will the DSH “Rake Off” Finally End?*** The Disproportionate Share Hospital (DSH) Payment Program was established in 1991 under which public hospitals transfer funds to the state to be matched with federal funds and distributed to public and private hospitals that serve a disproportionate share of Medi-Cal recipients. To offset administrative costs, the state has been “raking off” a portion of the almost \$2 billion California has available for expenditure each year, a practice that was started to deal with an earlier fiscal crisis. The state administrative “fee” reached a high of \$239.7 million in 1995, and has been reduced incrementally each year by the Legislature. Subcommittee No. 3 voted to put \$29.7 million General Fund on the Suspense List for a possible complete buy-out of the fee.

✍️ ***Costs and Funding Issues Continue to Plague the Nursing Home Industry.*** Subcommittee members voted to put \$100 million (\$50 million General Fund) on the Suspense List to consider dealing with a number of issues raised by various advocacy groups. The Service Employees International Union (SEIU) wants the state to implement mandatory direct care staffing ratios consistent with AB 1075 (Shelley). The California Association of Health Facilities (CAHF) and the California Healthcare Association (CHA) have requested rate increases. It is imperative that a comprehensive analysis be completed because there are many differences among nursing home facilities, and one standard approach will not work for them all.

APRIL 19

✍️ ***Services to the elderly.*** The subcommittee placed on suspense \$11.2 million to fund a variety of case management and assistance programs for the elderly. Vote: 2-0

✍️ ***Department of Child Support Services.*** The subcommittee approved the budget as proposed and made inquiries regarding the status of the transitioning of child support operations and the progress on the Child Support Automation System. Vote: 2-0.

✍️ ***Safe Arms for Newborns.*** Chapter 824, Statutes of 2000 (SB 1368, Brulte) enacted the Safe Arms for Newborns Law, which protects newborn infants from abandonment by providing new parents with immunity from criminal prosecution if they bring the newborn to a hospital or other designated government facility within 72 hours of birth. SB 101 (Brulte) would require the Department of Social Services in consultation with the Department of Health Services, the Department of Education, and the Attorney General, to develop and implement a social marketing campaign which educates women about adoption and the option to surrender their babies to hospitals or other safe locations. The estimated cost

of implementing the social marketing campaign is \$3 million. This item was put over, and will be heard again on May 3, 2001.

~~Adoptions, foster care and Kinship program augmentations.~~ The subcommittee placed on suspense an unspecified amount of funding to provide various program increases. The Department of Social Services will provide cost estimates. Vote 2-0.

SUB 4 (GENERAL GOVERNMENT & PUBLIC SAFETY) APRIL 16

CONSULTANTS: TOM SHEEHY, DAVE HARPER

(Dollars in Thousands)

Fund	Governor's Budget	Senate Changes	Budget to Date
General Fund	14,741,385	-775,515	13,965,870
Special Funds	5,552,941	-1,643	5,551,298
Bond Funds	21,662	---	21,662
Federal Funds	1,104,056	---	1,104,056
Total	21,420,044	-777,158	20,642,886

~~Touch Screen Voting.~~ The Subcommittee did not restore the \$40 million budgeted for a touch screen voting pilot project. These funds had been deleted on March 1st by a full Committee action, which trimmed \$1.9 billion from the Governor's proposal.

~~California Science Center (CSC) Phase 2 Expansion Project.~~ The Subcommittee cut \$5.25 million from the Governor's \$10.5 million proposal to fully fund the preliminary plans and working drawings for the CSC phase 2 project. The action included language requiring the CSC private foundation to back-fill the General Fund dollars.

~~Tax Protest Backlog at Franchise Tax Board (FTB).~~ The FTB has outstanding tax assessments of \$2.34 billion in various stages of protest, which are over two years old. In some cases, these protests are over fifteen years old! Dean Andal of the Board of Equalization testified at the request of Senator Ackerman on ways in which this backlog could be cleared out. Eliminating the backlog would result in one – time revenue gains to the state of approximately \$1 billion and at the same time promote taxpayer fairness. No action was taken on this matter and it was put over for further discussion.

~~State Building Seismic Retrofit Program.~~ The Subcommittee switched \$28 million in General Fund to seismic bond funds thereby freeing up those General Fund resources for other purposes.

~~Department of Food and Agriculture (DFA) Building.~~ The Subcommittee did not restore the \$21 million budgeted for the DFA building renovation project proposed in the Governor's Budget. These funds had been deleted on March 1st by a full Committee action, which trimmed \$1.9 billion from the Governor's proposal.

~~Capitol Area East End Project – Parking Lot.~~ The Subcommittee did not restore the \$22.2 million budgeted for the East End parking lot project proposed in the Governor's Budget. These funds had been deleted on March 1st by a full Committee but will not be needed until the 2002-03 fiscal year.

For further information, please contact the Senate Republican Fiscal Office, at (916) 323-9221.